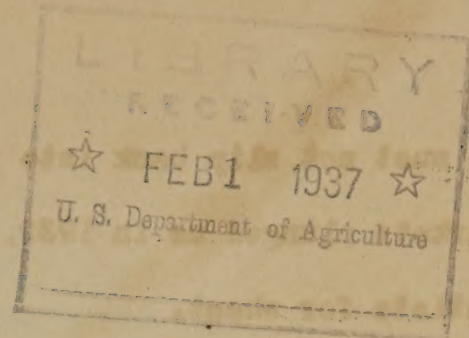


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THE WHEAT OUTLOOK AND THE 1937  
AGRICULTURAL CONSERVATION PROGRAM



Address before the Eastern Oregon Wheat League, Heppner,  
Oregon, December 4, 1936, by E. J. Bell, Jr., Chief,  
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Four or five years ago when I met with the Eastern Oregon Wheat League the great problem which we had before us was a tremendous world surplus of wheat. In our discussions we talked about how the surplus had piled up and how difficult it was for unorganized producers to do anything about it. At the banquet that evening we sang a song about the farmers in the Pacific Northwest who were trying to get along on two-bit wheat.

It seems to me that during the seven years since I left Montana to work for the Federal Government there has been more attention given and more effort made toward the solution of the wheat problem of the Pacific Northwest than any other single activity in which I have been personally engaged. Whether we have drought or bumper crops, whether we have the prices of 1932 or the prices of 1936, it seems as though there is still a surplus of wheat in this region which must find a market outside of the Inland Empire. Whether we have production control as such or whether we follow out the recommendations made by the County Planning Committees for adjusting the agriculture in the Pacific Northwest in the light of conservation needs, there will still be a surplus of White Wheat in this region. With normal weather conditions in other parts of the United States, the only place where we can look for an outlet for the product of the wheat farms of Washington, Oregon and Idaho lies in the export market. Therefore, all of us who are interested in the welfare of farmers in this region are inevitably concerned about the world wheat situation and the possibilities and limitations of the export market.



We must not slip back into the critical situation into which loss of foreign markets plunged us in 1932, but must press forward with plans to regain export outlets for wheat.

Today we face quite a different picture than we did in 1932. Prices of wheat in the Pacific Northwest are now more than double what they were in 1931 and 1932. You have not suffered the extreme drought which has been experienced by your neighbors on the other side of the Continental Divide. Shortages east of the Rockies have been reflected in increased prices to farmers in this region. The cash income from wheat production in Oregon in 1935 was \$8,250,000 and wheat adjustment payments were \$3,075,000 more, making a total cash income from the 1935 crop in the State of Oregon amounting to \$11,325,000. This was nearly double the \$6,186,000 income from the 1932 crop.

In spite of increased prices, the wheat problems of the Pacific Northwest are by no means solved. With long rail hauls to the East, an uncertain export market to the West, and even strikes which temporarily bring water shipping to a halt, the farmers who cannot move their crop find price advances of little help. Market quotations do not mean much to a grower when buyers cannot take his wheat.

These problems, however, have not discouraged the Western farmer. If we are willing to face the facts of the situation and make careful plans in the light of those facts, there is every reason to believe that these problems can be solved.

As farmers in the wheat regions look forward to 1937 there are two things to guide them in making preparations for the coming year. One is the outlook for wheat and the other is the plan which is being developed for the 1937 Agricultural Conservation Program.

As we view the world wheat situation, one fact stands out. Present prices are a reflection of poor world weather conditions--not of a reduction in world acreage. World acreage of wheat is still high. Harvested acreage for the 1936



crop in the world was about 248,000,000 acres, which is the same as the acreage harvested for the 1935 crop and only 9,000,000 acres less than the average for the period 1928-1932. This reduction in harvested acreage was due to unusually large abandonment. Yields of wheat on the average throughout the world have been about a bushel per acre lower during the last three years than they were during the five year period, 1928-1932. Thus, production for three years in succession has been around 3,500,000,000 bushels as compared with production of around 3,600,000,000 to 4,000,000,000 bushels during the 1928-1932 period. This year importing European countries produced about 160,000,000 bushels less than in 1935, but increased production in the Danube Basin and in Argentina have offset, in part, the reduction in importing countries. The crop in North Africa is a little short this year. Production in Asia is somewhat under last year, and there are short crops in Australia, Canada and the United States.

Practically all of these short crops are due to weather conditions and not to any reduction in seeded acreage.

As a result of the three short world crops in 1934, 1935 and 1936 the world carryover on July 1, 1937 will be back to about the level which had been considered normal during the 1920's. This reduction in the world carryover is due to drought in the United States and Canada in 1934 and 1936, to the rust epidemic in the spring wheat region of North America in 1935, a short crop in Argentina in 1935 and drought in Australia in 1934 and 1936. World acreage is still about as large as ever and normal yields in 1937 might again see the surplus begin to pile up.

World trade is still much lower than it was during the 1920's. Temporarily in 1936-1937 world shipments are little larger than they were a year ago. Europe with less production than in 1935 will require net imports of about 350,000,000 bushels during this marketing year as compared with 317,000,000 bushels in 1935-1936 and 332,000,000 bushels in 1934-1935. Total world shipments this year are



bushels

expected to be about 50,000,000/larger than they were a year ago. But I wish to emphasize that this situation in 1936-1937 represents only a temporary condition due to weather conditions and not to any fundamental change in the policy of the nations of the world with reference to wheat. These policies show little letup from the trade restrictions of recent years.

France has recently established a Government Wheat Office or Monopoly. Under this plan a central committee will establish the rate of sale for utilization of the crop and will fix prices, imports, exports and the amount to be stored. Thus, in the words of the Bureau of Agricultural Economics, "one more country has placed wheat under virtual monopoly control and although this French plan will be less rigid than the system adopted in Italy, it is characteristic of the evolution of governmental wheat activities in most European countries."

Recent announcements of the Polish Ministry of Agriculture indicate a general continuation of the grain policy followed during 1935.

Belgium and Rumania recently concluded an agreement by which wheat will be used to liquidate frozen credits. Negotiations have also been reported for a wheat trade deal between Holland and Rumania. An agreement between Italy, Hungary and Austria provides for compensation trade between these countries for a fair portion of the Hungarian surplus. In each of these cases a definite arrangement is made whereby wheat can be traded for other commodities, either directly or indirectly.

Furthermore, the policy of importing countries favors certain exporters at the expense of the United States farmers. The United Kingdom permits imports of dominion wheat duty-free while other wheats pay a 6-cent tariff. German policy favors imports from European countries. All this points to the conclusion that if we are to export any quantity of wheat from the United States, we must be prepared to take in return goods manufactured by the wheat importing nations.

Now, let us look at our domestic situation. In the United States, farmers seeded 75,000,000 acres for the 1936 crop as compared with an average of 67,000,000



acres for the 1928-1932 period. The increase in seedings came principally in the States east of the Rocky Mountains, although small increases occurred in the Pacific Northwest. Yields, however, were unusually low so that the 630,000,000 bushel crop was down to about normal domestic requirements. Production of Hard Red Spring and Durum Wheat was unusually short, and it is anticipated that about 35,000,000 bushels of milling wheat of these classes will be imported for consumption. Exports of between 10,000,000 and 15,000,000 bushels, however, will partially offset gross imports and net imports may be about 25,000,000 bushels. If the yield of wheat in the United States in 1936 had been equal to the 18-year average, 1919-1936 (11.8 bushels) the production would have been 880,000,000 bushels or about 200,000,000 bushels in excess of our requirements.

Prices in the Pacific Northwest have not advanced as far as prices east of the Rockies because there has been a surplus of Soft White Wheat. As farmers in this region are well aware, this wheat has found an outlet in markets east of the Rockies but only at prices which represent a shipping differential between country points in the Pacific Northwest and markets in the eastern and central parts of the United States. With normal yields in the Great Plains there would be a surplus in that region and those markets within the United States would not be available to the producer of White Wheat.

Furthermore, any adjustment which might be made in the wheat acreage of this region would not bring wheat production here within the requirements of the region. With markets east of the Rockies no longer available, Oregon, Washington and Idaho farmers would look to the export trade as the only means of disposing of their excess production.

As producers of an export crop, wheat growers in this region have a vital stake in the foreign policy of the United States. The size of the market for your wheat will be determined by the success of the Government in breaking down trade barriers abroad and in convincing our own people that their welfare depends upon



a willingness to accept goods from the European and Asiatic customers of the wheat grower.

Thus the wheat situation indicates that we must look seaward to a revived export market based upon fundamental changes in the attitude of the American people toward international policy.

Now let us turn to the 1937 Conservation Program. Consideration had been given in drafting this program to the objectives of the Soil Conservation and Domestic Allotment Act and the national policy established under this legislation. The program under the Soil Conservation and Domestic Allotment Act has as its objectives more than merely the control of soil washing and soil blowing. The program embodies the economic use of the land, sound farming practice, and restoration of the income of farmers.

It has been estimated that for the nation as a whole, there have been approximately 300,000,000 acres devoted to the production of soil-depleting and export crops. This area is about 30,000,000 acres in excess of the desirable acreage from the standpoint of agricultural conservation. Not only is there no market available for the product of these 30,000,000 excess acres, but the continued cultivation of the land for soil-depleting crops induces erosion by wind and water and depletes the fertility of the soil.



In accordance with these national objectives, the 1937 program is being designed to make a permanent rather than a temporary adjustment in the use of the land. Under previous emergency programs much of the land taken from surplus crops has been used for emergency forage crops or has been placed in fallow condition preparatory to another soil depleting crop the following year. So far there has been little opportunity to establish stands of perennial grasses, perennial legumes, or forest trees, which will constitute a more permanent adjustment than the temporary shifting of land from wheat, cotton, corn, and tobacco into shorter time uses.

Now just what progress has been made in drafting the 1937 program? As you know, a questionnaire was sent out to all county committees and county meetings were held during September and October 1936. During the first two weeks of October, meetings were held in the Western Region, at which the reports of the various counties were summarized by state committees and reports were made to the Western Division. On the basis of these state reports and conferences, the Western Division prepared a tentative draft of a program for 1937. This was prepared in cooperation with the other Divisions where similar meetings and conferences had been held. Since this is a national program, it is impossible for the Secretary of Agriculture to justify legally under the same Act an entirely different kind of a program in different parts of the country. At the same time it is recognized that conditions vary considerably between different agricultural regions and therefore it is necessary that the program be drafted to meet local conditions.

The general principles of longtime adjustment from soil depleting crops to permanent conserving uses of the land has been adopted as a national policy. The kind of adjustments which can be made in this region in the light of existing conditions and available supplies of grass and legume seeds will be the practices which will be approved for this region under the 1937 program. Principally this



involves in the wheat region of the Pacific Northwest, the establishment of perennial grasses and legumes to the extent that seed supplies may be made available. The rate of payment for establishing permanent stands of perennials this year will be somewhat higher than it was a year ago and considerably higher than the payment for such practices as trashy fallow, plowing under green manure, or other more short-time uses of the land.

In conclusion we may summarize the situation with respect to the wheat region of the Pacific Northwest in the following manner.

1. The prices which have been received during 1934, 1935 and 1936 in the United States have been higher than prices which farmers would have received if weather conditions had been normal.
2. With normal yields east of the Rocky Mountains outlets for Pacific Northwest wheat would no longer be available within the United States to the same extent as in the past three years.
3. In the long run this region must look to the export market for its surplus wheat.
4. No nation can sell any large volume of wheat in the world today unless it is prepared to take in return, goods manufactured by the wheat importing nations.
5. In the face of restricted outlets for the products of American farms and in the face of continued depletion of the soil by wind and water erosion, a national policy for agriculture involves establishment of permanent soil conserving uses of the land rather than temporary adjustment from soil depleting crops to annual practices.



6. In line with a national policy designed to establish an additional 30,000,000 acres in permanent soil conserving uses of the land, the 1937 conservation program for the Pacific Northwest embodies as its principal objective the establishment of permanent stands of perennial grasses and legumes insofar as weather conditions and supplies of seed will permit.

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